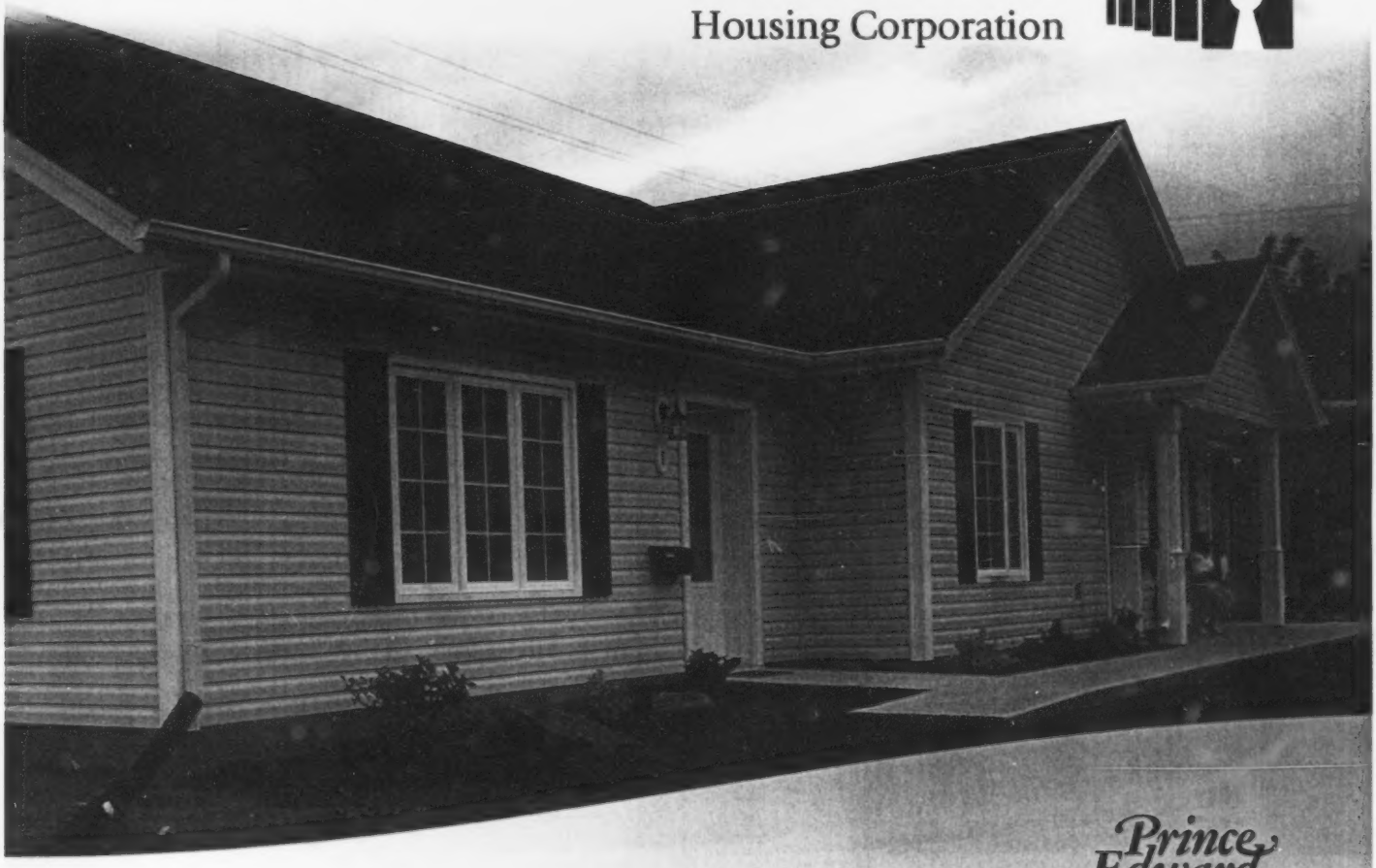
Annual Report
for the year ending March 31, 2008

Prince Edward Island
Housing Corporation



Prince Edward Island
CANADA
Community Services, Seniors and Labour

The photo on the front cover is of Independence Place, an affordable residence in Summerside for persons with physical disabilities.

Annual Report

for the year ending March 31, 2008

Prince Edward Island
Housing Corporation

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Prince Edward Island
CANADA

Message from the Minister

The Honourable Barbara A. Hagerman
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

It is my privilege to present the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ended March 31, 2008.

Respectfully Submitted,

Janice Sherry
Minister Responsible for the
PEI Housing Corporation

Deputy Minister's Message

The Honourable Janice Sherry
Minister Responsible for
The Prince Edward Island Housing Corporation
Charlottetown
Prince Edward Island

Honourable Minister:

I am pleased to submit the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ending March 31, 2008.

Respectfully submitted,

Sharon Cameron

Sharon Cameron
Chief Executive Officer
PEI Housing Corporation

Table of Contents

Page

Overview 1

Aperçu 3

Year In Review 5

Survol de l'annee 7

Program Services
- Senior Citizens Housing 9
- Garden Suites 9
- Family Housing 9
- Rent Supplement Program 10
- Social Housing 10
- Rural and Native Housing 10
- Rural Community Housing 10
- Federal/Provincial Relations 10
- Rural Residential Rehabilitation Assistance Program 11

Appendix A
- Statistical Tables 13

Appendix B
- Program Profile - Family Housing Program 17
- Program Profile - Senior Citizens Housing Program 19

Financial Statements 21

Overview

The PEI Housing Corporation (PEIHC) derives its authority from the *Housing Corporation Act of 1993.* The Housing Corporation assists in providing Islanders of low and moderate incomes with access to safe, affordable and adequate housing.

The Housing Corporation shares its responsibility in the provision of housing services with the Department of Social Services and Seniors and local Family Housing Authorities. The Corporation is responsible for the control of assets, liabilities and revenues. The Department of Social Services And Seniors is responsible for the management of family housing through the local Family Housing Authorities; seniors housing, liaison with the Federal Government on housing issues; overseeing the administration of federal-provincial agreements and the delivery of most housing programs, including the Canada PEI Affordable Housing Agreement.

The Corporation works with many partners including the Canada Mortgage and Housing Corporation (CMHC), representing the Federal Government. CMHC provides cost-sharing of provincial programs involving 1,700 units and directly administers another 900 federally funded social housing units. PEIHC manages and delivers the Canada - PEI Affordable Housing agreement, signed in 2003. Other partners of the P.E.I. Housing Corporation include the many community members who serve on the nine Family Housing Authorities Boards across the province. Seniors and other client groups, municipal representatives, non-profits, private sector developers, the construction industry, and tenants play an important partnership role in bringing affordable housing to Islanders.

Over the years numerous studies have shown a direct relationship between the health and well-being of a population and the availability of safe affordable housing. Since the 1960's, through its social housing program, the province has worked to maintain adequate housing for low and moderate income Islanders. It is clear however the needs of Islanders are changing and the Corporation endeavours to respond to these changes with the creation of new units and the modernization of existing units.

The Federal/Provincial cost shared Social Housing Agreements support the rental housing needs of seniors, families and other Islanders in need of housing. In light of the expiration of these agreements in the coming years, the Corporation will be challenged to secure adequate funding to maintain and improve these facilities.

To meet the need for low income home owner renovations, the province and the federal government jointly fund the Residential Rehabilitation Assistance Program (RRAP). This program is administered by the CMHC. The objective of the program is to assist low and moderate income homeowners with critical repairs to their residences and to continue to live independently in their own home.

Aperçu

Les pouvoirs que détient la Société de logement de l'Île-du-Prince-Édouard lui sont conférés en vertu de la *Housing Corporation Act* (1993). La Société de logement permet d'offrir aux citoyens de l'Île-du-Prince-Édouard à revenu faible ou moyen l'accès à des logements sécuritaires, abordables et adéquats.

La Société de logement partage la responsabilité d'assurer des services de logement avec le ministère des Services sociaux et des Aînés et les conseils locaux de logements familiaux. La Société est responsable de la gestion des éléments d'actifs et de passifs et, des revenus. Le ministère des Services sociaux et des Aînés est responsable de la gestion des logements familiaux par l'entremise des conseils de logements familiaux locaux et des aînés; il entretient des relations avec le gouvernement fédéral sur les questions liées au logement et voit à la gestion des ententes conclues avec le gouvernement fédéral et à la prestation de la majorité des programmes de logement, y compris l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable.

La Société collabore avec de nombreux partenaires, y compris la Société canadienne d'hypothèques et de logement (SCHL), le représentant du gouvernement fédéral. La SCHL partage les coûts de programmes provinciaux visant 1 700 unités et, en outre, elle gère directement 900 unités d'habitation sociales financées par le gouvernement fédéral. La SCHL gère l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable, conclue en 2003, et voit à son application. Parmi les autres partenaires de la société de logement, on compte un grand nombre de membres de la collectivité qui siègent aux neuf conseils de logements familiaux à l'échelle provinciale. En ce qui concerne le logement abordable pour les insulaires, la collaboration est primordiale entre les aînés et autres groupes bénéficiaires, les représentants municipaux, les organismes sans but lucratif, les promoteurs du secteur privé, l'industrie de la construction et les locataires.

Au fil des ans, de nombreuses études ont révélé qu'il existe un lien direct entre la santé et le bien-être d'une population et la disponibilité de logements sécuritaires à prix abordables. Depuis les années 1960, par l'entremise de son programme de logement social, la province tâche de s'assurer que des logements convenables

sont mis à la disposition des insulaires à revenu faible ou moyen. Cependant, il est évident que ces derniers éprouvent des besoins changeants et la Société tente de répondre à ceux-ci par la création de nouvelles unités et la remise en état des logements existants.

Les ententes conclues entre les gouvernements fédéral et provincial visant le partage des coûts relatifs aux logements sociaux contribuent à la location d'habitations aux aînés, aux familles et aux insulaires qui en ont besoin. Vu l'arrivée à terme de ces ententes dans les prochaines années, la Société devra trouver le financement nécessaire pour assurer l'entretien et l'amélioration de ces installations.

Pour répondre aux besoins des propriétaires à faible revenu en matière de travaux de rénovation, les gouvernements fédéral et provincial financent conjointement le Programme d'aide à la remise en état des logements (PAREL). Ce programme est géré par la SCHL. L'objectif du programme consiste à aider les propriétaires à revenu faible ou moyen à financer des réparations critiques pour leurs résidences et à continuer de vivre de façon indépendante dans leurs propres maisons.

Year in Review

The demand for Seniors Housing is strong in urban areas; however, is stable or is declining in most rural areas. In the past year, 154 new tenants were placed in Seniors' Housing. This represented a 13.3% turn-over of tenants, unchanged from the previous year. During the year 2007-2008 expenditures net of income on the Seniors Housing program totalled $5,943,854.

The demand for Family Housing has remained steady with lengthy waiting lists in most communities particularly in the Charlottetown, Summerside and Souris areas. Applications during the year totalled 284. There was a 18.1% turnover rate with 86 families placed. The active waiting list is 382 families which has increased from last year. The development of family housing options in response to this need remains a priority. The Canada-P.E.I. Affordable Housing Agreement has generated additional units in an attempt to meet this demand. Expenditures on the Family Housing Program were $2,488,845 during fiscal year 2007-2008.

In 2007-2008 there were 16 applications approved under the Home Adaptations for Seniors Independence Program for a total of $52,314. This program assists low-income Canadians, aged 65 or older, whose difficulties in daily living can be addressed through adaptations to their homes. Additionally, 43 homeowner, 25 disabled and 17 emergency repairs were approved through The Residential Rehabilitation Assistance Program, totalling $982,964.

The Canada - PEI Affordable Housing Agreement was signed on May 23, 2003. A supplementary agreement was signed in November 2005. 12 projects, representing 120 units have been approved since the signing of the Agreement and this represents a total value of
$6.66 million which was jointly supported by the Affordable Housing Agreement and community partners and investments.

In addition to operational funding, the Department's Capital budget of $660,000 was fully invested in modernization and improvements to our aging housing stock. It is anticipated this investment will continue for the foreseeable future given the significant demands. We continue to seek further dialogue with the federal government for long term sustainable funding for social housing needs.

The Province was also in receipt of $3,396,528 of Affordable Trust funding and $704,542 of Off Reserve Aboriginal Trust funding. These funds are to be invested to address affordable housing needs and decisions on their use will be made in the coming year.

Bilan de l'année

Les logements pour les aînés sont en grande demande dans les centres urbains; cependant, la demande est généralement stabilisée ou à la baisse dans la plupart des régions rurales. Au cours de la dernière année, 154 nouveaux locataires se sont installés dans des logements pour personnes âgées. Cela représente 13,3 % du taux de roulement des locataires, taux identique à celui de l'année précédente. Au cours de l'année 2007-2008, dans le cadre du programme de logements pour les aînés, les revenus moins les dépenses se chiffraient à 5 943 854 $.

La demande relative aux logements familiaux demeure constante; il existe de longues listes d'attente dans la majorité des collectivités, plus particulièrement dans les régions de Charlottetown, de Summerside et de Souris. Un total de 284 demandes a été présenté au cours de l'année. Le taux de roulement se chiffrait à 18,1 % et 86 familles se sont installées. À l'heure actuelle, la liste d'attente compte 382 familles, une faible augmentation sur l'année précédente. L'élaboration d'options en matière de logements familiaux demeure prioritaire pour répondre à ces besoins. Grâce à l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable, des unités supplémentaires ont été aménagées en vue de répondre à cette demande. Les dépenses relatives au programme de logements familiaux s'élevaient à 2 488 845 $ au cours de l'exercice 2007-2008.

En 2007-2008, 16 demandes ont été approuvées en vertu du programme Logements adaptés : aînés autonomes (LAAA), dont le total représentait 52 314 $. Ce programme vise à aider les Canadiens âgés de 65 ans et plus qui éprouvent des difficultés reliées à la vie quotidienne pouvant être allégées par des travaux d'adaptation effectués dans leurs maisons. En outre, des travaux de réparation totalisant 982 964 $ ont été approuvés pour 43 propriétaires, 25 personnes handicapées et 17 cas d'urgence en vertu du Programme d'aide à la remise en état des logements.

L'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable a été signée le 23 mai 2003. Une entente supplémentaire a été signée en novembre 2005. Douze projets, notamment 120 unités, dont la valeur s'élève à 6,66 millions de dollars, ont été approuvés en vertu de cette entente depuis sa signature et le

financement a été assuré conjointement par cette dernière, les partenaires de la collectivité et les investissements communautaires.

Outre le financement des opérations, le budget d'immobilisations du ministère fixé à 660 000 $ a été investi intégralement dans la remise en état et l'amélioration du stock de logements vieillissants. Dans un avenir prévisible, on estime que des sommes supplémentaires seront investies vu le nombre considérable de demandes. Nous désirons poursuivre les pourparlers avec le gouvernement fédéral afin d'obtenir le financement durable à long terme en vue de répondre aux besoins en matière de logements sociaux.

La province a également obtenu la somme de 3 396 528 $, aux fins d'investissement dans un fonds en fiducie relatif aux logements abordables et 704 542 $ dans un fonds en fiducie destiné aux fins des Autochtones qui n'habitent pas dans les réserves. Ces fonds seront investis en vue de subvenir aux besoins en matière de logements abordables et une décision quant à l'utilisation de ces fonds sera prise au cours de l'année à venir.

Programs and Services

Senior Citizens' Housing

(1,157 Units in 37 Communities)

The proportion of seniors in the population is expected to increase dramatically over the next 25 years. Statistical studies show this population increase will translate into increased demand for subsidized seniors housing in the next decade. In the past year 156 tenants took up residence in seniors housing. This represented a turnover rate of 13.3 per cent. New applications numbered 290 and the waiting list averaged 339 persons at one time. The expenditure for operations and maintenance for seniors housing in 2007-08 was $5,943,854.

Garden Suites

(6 Units)

Garden suites are a form of seniors housing. These one-bedroom units are located on a host property, usually of a relative. When no longer required in one area, the garden suites can be readily moved to the next area. There are six garden suites in the province's housing portfolio. Annual expenditures under this program are $20,145.

Family Housing

(476 Units in 9 Communities)

The demand for family housing continues to be strong. New applications numbered 284 and the provincial active waiting list has 382 families. During the year, 86 families were placed, which represented a decrease from the previous year. The average turnover rate for the Island was 18.1 per cent. Of increasing concern is the consistently high ratio of families waiting for units versus the number of units available and the turnover rates in the Charlottetown and Summerside areas. The expenditure for operation and maintenance for family housing in 2007-08 was $2,488,845.

Rent Supplement Program

(18 Units)

This program utilizes existing private market housing to provide accommodations for families selected from the family housing waiting lists. Rents are made affordable for the families via rent subsidies. There are 18 units under housing staff administration; 12 in Charlottetown and six in Summerside. Annual expenditures under this program are $141,000.

Rural and Native Housing

(8 Units)

This program provides rent-to-income housing for low and moderate income families. There are eight units across the province. Annual expenditures under this program are $61,500.

Rural Community Housing

(11 Units)

Providing affordable rental housing in smaller centers, 11 units are administered by provincial housing staff. Annual expenditures under this program are $74,700.

Federal Provincial Agreements

On May 23, 2003, the Canada-PEI Affordable Housing Agreement was signed. Funding under this agreement is used to create new, additional, affordable housing units for low to moderate income Islanders through rental, conversion and home ownership initiatives.

The program is administered by the Prince Edward Island Department of Social Services And Seniors and the P.E.I. Housing Corporation. Prince Edward Island is responsible for the selection of affordable housing projects. Provincial priorities are housing for families, persons with disabilities and persons with special needs. The government has partnered with Habitat for Humanity to deliver the home ownership component.

Maximum funding under both phases of the agreement is $4.16 million to be matched by the Province of Prince Edward Island, municipalities and other partners. Overall funding from the Canada-P.E.I. Affordable Housing Agreement

will not exceed $25,000/unit over the life of the agreement. Housing supported by the Canada-P.E.I. Affordable Housing Agreement must be affordable for ten (10) years.

Twelve (12) contracts have been finalized since the program began representing 120 units with a total investment from the Affordable Housing Agreement and community and private partners totaling
$6.66 million.

Rural Residential Rehabilitation Assistance Program (RRRAP)

This is a federal/provincial cost shared (75/25) program directly administered by Canada Mortgage and Housing Corporation. In 2007-08, the two levels of government contributed a combined total of $1,215,352 to the program for 111 units as listed below:

- Homeowner RRAP - Provides assistance to low income homeowners to bring their property up to minimum health and safety standards (43 units - $617,786)

- RRAP For Disabled Persons - Provides assistance to households occupied by persons with disabilities who require special modifications to improve accessibility to their residence. (25 units - $266,168)

- Rooming House RRAP - Provides support for rehabilitation to shelters or rooming houses for low income Islanders in core needs of housing. (6 units - $96,000).

- Emergency Repair Program (ERP) - Provides assistance to homeowners in rural and remote areas to undertake emergency repairs required for the continued safe occupancy of their residence. (17 units - $99,010).

- Home Adaptation For Seniors Independence (HASI) - Assists low-income Canadians, aged 65 or older, whose difficulties in daily living can be addressed through adaptations to their homes. (16 units - $52,314).

- Shelter Enhancement (SE) - Provides assistance to repair existing and create new shelters and second stage housing for women, children and youth who are victims of family violence both on and off First Nations Reservations. (2 units - $35,056).

- RRAP Conversion - Provides assistance to convert existing commercial or buildings not used for housing, into housing units. There were no applications to this program.

- Secondary Suites - CMHC offers financial assistance for the creation of Secondary or Garden Suites for a low-income senior or an adult with a disability - making it possible for them to live independently in their community, close to family and friends. A secondary suite is a self contained separate unit within an existing home or an addition to a home. This means there are full kitchen and bath facilities as well as a separate entrance. A garden suite is a separate living unit that is not attached to the principal residence, but is located on the same property. The maximum forgivable loan available in PEI is $24,000. (2 units - $48,000).

Appendix A

Program Activity and Information 2007-2008

Senior Citizens Housing Units - 2007-2008

There are 1,157 senior citizens housing units located in 37 communities across the province:

West Prince	
Alberton	16
O'Leary	24
St. Louis	4
Tignish	14
	58
East Prince	
Abrams Village	5
Bedeque	6
Borden	22
Kensington	50
Kinkora	11
Miscouche	17
Mont Carmel	6
Summerside	152
Tyne Valley	11
Wellington	22
Wilmot	6
Garden Suite -Mt. Carmel	1
	309
Queens	
Charlottetown	471
Cornwall	14
Crapaud	13
Hunter River	14
Mt. Stewart	6
North Rustico	6
South Rustico	4
Tracadie Cross	4
Garden Suite-Ebenezer	1
Garden Suite - Lake Verde	1
	534
Kings (Southern)	
Belfast	6
Cardigan	3
Georgetown	16
Montague	91
Murray Harbour	6
Murray River	6
Vernon River	5
	133
Kings (Eastern)	
Morell	12
Rollo Bay	14
Souris	81
St. Charles	4
St. Peters	9
Garden Suite - Kilmuir	1
Garden Suite-Morell	1
Garden Suite - Souris	1
	123
Total Seniors Units	**1,157**

Senior Citizens Housing Program 2007-2008

Area of Province	Total # of Units	New Applications	# of Placements	Active Waiting List
West Prince	58	32	8	21
East Prince	309	69	46	57
Queens	534	127	76	194
Kings (Southern)	133	44	16	67
Kings (Eastern)	123	18	10	0
Total	**1,157**	**290**	**156**	**339**

Family Housing Program 2007–2008

Area of Province	Total # of Units	New Applications	# of Placements	Active Waiting List
West Prince	61	30	22	13
East Prince	100	94	15	128
Queens	190	102	24	167
Kings (Southern)	89	32	19	56
Kings (Eastern)	36	26	6	18
Total	**476**	**284**	**86**	**382**

Family Housing Boards and Number of Units Administered 2007-2008

Alberton	22	O'Leary	23
Charlottetown Area	184	Souris	36
Georgetown	27	Summerside	100
Montague	62	Tignish	16
Mt. Stewart	6		
		Total	**476**

Canada-PEI Affordable Housing Agreement 2007–2008

Project	Units	Agreement	Partners
Judson Holdings Inc.	3	$75,000	Developer
Scotcor Construction Ltd.	11	431.500	Developer

Rural Residential Rehabilitation Assistance Program 2007-2008

	Number of Loans	Average Loan	Expenditure
Home Owner	43	$14,367	$617,786
Disabled	25	10,647	266,168
Rooming House	6	16,000	96,000
Emergency Repair Program	17	5,824	99,010
HASI	16	3,270	52,314
Shelter Enhancement	2	17,528	35,056
Secondary Suites	2	2,400	48,000
Total	**111**	**$10,940**	**$1,214,334**

Appendix B

Family Housing Program

Program Description

This program provides subsidized housing to low and moderate income families who are unable to obtain adequate and affordable accommodation in the private market place. The units, with rents based on 25 per cent of income, are situated in nine communities across the province. Another form of family housing is a rent supplement. Rent supplements utilize private market housing to provide accommodations making rents affordable via rent subsidies.

Governance/Accountability

Under the P.E.I. Housing Corporation, nine local housing authorities (community residents appointed by Executive Council) are responsible for day-to-day management of the projects which includes tenant selection, rent collection, and maintenance. The department provides policy direction and overall management of family housing services. Staff in each area of the province, process applications and provide technical support to these boards.

Resources

Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Human (Fte)*	9.85	9.85	9.85	9.85	9.85	9.85	9.85
Financial	$2,665,300	$2,819,500	$2,849,200	$3,108,000	$3,151,000	$2,900,000	$2,950,000

Program Performance — *Current Measures*

- Number of units
- Number of new applications
- Number of placements
- Numbers of families on waiting lists
- Turnover rates

Some Results — *Family Units*

Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Units	482*	482*	482*	482	476	476	476
Placements	73	74	95	75	97	105	86
New Applications	328	340	368	318	374	268	284
Waiting List	**547**	**713**	**468****	**520**	**378**	**333**	**382**

*This includes 18 rent supplements, 12 in Charlottetown and six in Summerside as well as four converted units in Crapaud.

**This indicates a major review and re-assessment of wait lists.

Family Housing Turnover Rate

Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Units Available	15.1%	15.3%	19.7%	15.3%	20.3%	22.0%	18%

Waiting Lists by Area of Province

Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
West Prince	59	78	18	18	12	12	13
East Prince	80	99	147	139	110	110	128
Queens	322*	461	193	229	173	174	167
Kings (Southern)	75	62	93	70	62	28	56
Kings (Eastern)	11	13	17	10	21	9	18
TOTAL	**547***	**713**	**468***	**466**	**378**	**333**	**382**

*This number represents a review of waiting list applications

Senior Citizens' Housing Program

Program Description

Senior citizens' housing projects are located in 37 communities across the province and provide apartment style, self-contained rental units to low and moderate income seniors who are unable to meet their housing needs independently. Another form of subsidized housing for seniors are garden suites. These are one bedroom units placed on the property of a host family, and when no longer required by the tenant are easily portable to another site. The rent for either form of seniors housing is 25 per cent of income.

Governance/Accountability

The Department of Social Services and Seniors - Housing Services, is responsible for the overall management of these properties. The department is responsible for policy and ensuring the fulfilment of federal-provincial cost sharing agreements in core social housing and liaison with the federal government.

Resources

Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Human (Fte)*	13.5	13.5	14.7	14.7	14.7	13.3	20.5
Financial	$6,571,900	$6,545,400	$6,833,500	$6,584,000	$6,684,000	$6,364,000	$6,961,130

Program Performance — *Current Measures*

- Number of units
- Number of placements
- Number of new applications
- Number of seniors on waiting lists

Some Results

- Decreased need is apparent in pockets of rural PEI and the Department is conducting a facilities review to determine surplus properties with systemic vacancy and proposed response.
- Significant increase in waiting list for seniors housing, particularly in urban areas has caused the Department to conduct an needs/gap analysis which will form the direction for future planning for affordable housing programs for seniors.

Senior Citizens' Housing

Fiscal Year	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Units	1,148*	1,148*	1,152*	1,159	1,158	1,158	1,157
Placements	221	173	213	176	180	154	156
New Applications	190	246	187	141	267	198	290
Waiting List	**208**	**238**	**111****	**180**	**186**	**195**	**339**

*Portfolio comprised of 1,151 senior citizens units and six garden suites. The change in units is due to renovations (two bedroom units, common rooms, etc.) across the Island.

**Indicates a review of waiting lists.

Financial Statements

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

HOUSING CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2008

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

Hon. Doug W. Currie
Minister of Social Services and Seniors
Province of Prince Edward Island

I have audited the balance sheet of the Prince Edward Island Housing Corporation as at March 31, 2008 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

During the year, the Corporation capitalized $652,200 in maintenance expenses. Similar expenses in prior years were not capitalized and the Corporation has not retrospectively adjusted the 2007 and prior years balances for this change in accounting policy. Canadian generally accepted accounting principles recommend that the cost incurred in the maintenance of the service potential of an item of property, plant and equipment is a repair, not a betterment and as such should not be capitalized. If these expenses had not been capitalized, Federal-Provincial projects would have been decreased by $190,500, Rental Housing projects would have been decreased by $396,500, contributed surplus would have been decreased by $587,000, amortization of contributed surplus would have been decreased by $65,200 and amortization expense would have been decreased by $65,200. Also, Canadian generally accepted accounting principles require a change in accounting policy be applied retrospectively. In addition, the unamortized cost of the components being replaced have not been expensed.

In my opinion, except for the effects of capitalizing maintenance expenses and not applying this change retrospectively as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
August 6, 2008

STATEMENT 1

PRINCE EDWARD ISLAND HOUSING CORPORATION

BALANCE SHEET

AS AT MARCH 31, 2008

	2008	2007
ASSETS		
Current assets		
Cash	$ 602,300	$ 209,200
Accounts receivable - note 3	4,072,200	5,312,800
	4,674,500	5,522,000
Mortgages receivable	22,000	31,800
Investment in properties		
Agreements of sale - note 4	18,500	20,600
Land for resale or development - note 5	218,200	227,000
Federal-Provincial projects - note 6	2,737,900	2,709,900
Rental housing projects - note 7	24,058,900	24,897,300
	27,033,500	27,854,800
TOTAL ASSETS	$31,730,000	$33,408,600
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accruals - note 8	$ 492,500	$ 578,500
Current portion of long-term debt - note 11	2,122,300	2,054,200
	2,614,800	2,632,700
Long-term liabilities		
CMHC - note 9	25,374,500	26,701,700
Province of PEI - note 10	2,205,300	2,998,300
	27,579,800	29,700,000
Equity		
Contributed surplus - Province of PEI - note 12	1,535,400	1,075,900
TOTAL LIABILITIES AND EQUITY	$31,730,000	$33,408,600

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE CORPORATION:

MINISTER

STATEMENT 2

PRINCE EDWARD ISLAND HOUSING CORPORATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
Appropriations from the Province of PEI	$4,603,700	$4,857,800
Gain on disposal of property	8,700	23,100
Amortization of contributed surplus - note 12	192,700	127,500
CMHC-Affordable Housing Program	622,500	565,600
	5,427,600	5,574,000
Expenses		
Amortization	1,452,300	1,387,700
Interest	1,632,000	1,843,200
Property taxes	1,360,700	1,319,300
Grants issued	360,100	458,200
Affordable Housing Program	622,500	565,600
	5,427,600	5,574,000
Net income	$ -	$ -

(The accompanying notes are an integral part of these financial statements.)

STATEMENT 3

PRINCE EDWARD ISLAND HOUSING CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ -	$ -
Amounts charged against income not requiring an outlay of cash:		
Amortization of investment in properties	1,452,300	1,387,700
Amortization of contributed surplus - note 12	(192,700)	(127,500)
Gain on disposal of property	(8,700)	(23,100)
	1,250,900	1,237,100
Changes in non-cash working capital:		
Decrease (Increase) in accounts receivable	1,240,600	(148,300)
Decrease in accounts payable	(86,000)	(120,500)
	2,405,500	968,300
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in mortgages receivable	9,800	36,400
Decrease in agreements of sale	2,100	2,500
Decrease in land for resale or development	8,800	1,600
Proceeds from property transactions	19,000	56,800
	39,700	97,300
CASH FLOW FROM FINANCING ACTIVITIES		
Cash payments to reduce long-term debt obligations	(2,052,100)	(2,069,100)
Increase (Decrease) in cash	393,100	(1,003,500)
Cash, beginning of year	209,200	1,212,700
Cash, end of year	$ 602,300	$ 209,200
Supplementary disclosure		
Interest paid	$1,733,100	$1,909,900

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND HOUSING CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

1. **Summary of Significant Accounting Policies**

The financial statements of the Housing Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

Income and Expenses
Revenues and expenses are recorded using the accrual basis of accounting.

Amortization
Investments in Federal-Provincial and Rental Housing projects are owned by the Housing Corporation and are recorded at the Housing Corporation's cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the project. The projects have estimated useful lives of 40 years.

Capital Renovations
Capital renovations are amortized on a straight-line basis over 10 years.

Provincial Appropriations
The appropriations from the Province of PEI represent amounts provided for program expenditures incurred directly by the Housing Corporation and do not relate to expenditures on housing activities administered by the Department of Social Services and Seniors. Separate appropriations are provided for these departmental programs that are reported in the Province's Public Accounts. The various revenues earned on Housing Corporation activities are also reported in the Public Accounts.

Changes to Accounting Standards - financial instruments
Effective April 1, 2007, the Housing Corporation adopted the following new accounting standard issued by the Canadian Institute of Chartered Accountants.

Section 3855, *Financial Instruments - Recognition and Measurement,* which describes the standards for recognizing and measuring financial assets, financial liabilities and derivatives. This section requires that:

- all financial assets be measured at fair value, with some exceptions, for loans and investments that are classified as held-to-maturity.
- all financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their amortized cost.
- all derivative financial instruments be measured at fair value, even when they are part of a hedging relationship.

Section 3861, *Financial Instruments - Disclosure and Presentation,* which replaced Section 3860 and provided additional presentation and disclosure requirements in relation to the issuance of Section 3855. The majority of these standards were previously contained in Section 3860.

1. Summary of Significant Accounting Policies (continued...)

Due to the nature of the Housing Corporation's operations, the adoption of these new standards has only resulted in additional information being provided in the notes to the financial statements.

Financial Instruments
Financial instruments are comprised of cash, accounts receivable, mortgages receivable, agreements of sale, accounts payable and accruals and long-term debt. Due to their nature, all the financial instruments except long-term debt, are considered to be carried at amounts which approximate their fair value. Long-term debt is recorded at amortized cost.

Financial Risk Management Objectives and Policies
The Housing Corporation's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. Management has not entered into hedging transactions to manage risk. As part of the overall management of the entity's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Housing Corporation's exposure.

2. Change in Accounting Policy

In prior years, renovation expenses of housing units were expensed in the Public Accounts of the Province of PEI. Renovation expenses of $652,200 have been capitalized in the balance sheet of the Housing Corporation for 2008 and are being amortized on a straight-line basis over 10 years. There has been no retrospective restatement of 2007 balances.

3. Accounts receivable consist of the following:

	2008	2007
Province of PEI	$ 851,600	$3,736,800
Canada Mortgage and Housing Corporation	2,447,200	1,344,000
General	825,300	251,200
	4,124,100	5,332,000
Less: allowance for doubtful accounts	51,900	19,200
	$4,072,200	$5,312,800

4. Investments in properties under agreements of sale are recorded at cost less tenants' equity.

	2008	2007
Cost	$47,100	$47,100
Tenants' equity	(28,600)	(26,500)
	$18,500	$20,600

5. Investments in land for resale or development consist of the following:

	2008	2007
Hillsborough Development		
Developed - at cost	$ 27,000	$ 35,800
Undeveloped - at 1986 appraised values	110,500	110,500
Other undeveloped land	80,700	80,700
	$218,200	$227,000

6. Federal-Provincial Projects

	2008	2007
Family Housing	$2,158,000	$2,158,000
Senior Citizens Housing	3,724,900	3,724,900
Rural Community Housing	148,000	161,000
Rural and Native Housing	60,500	68,800
Capital renovations	211,700	-
Land	309,100	311,100
	6,612,200	6,423,800
Less: accumulated amortization	3,874,300	3,713,900
	$2,737,900	$2,709,900

7. Rental Housing Projects

	2008	2007
Family Housing	$10,586,400	$10,586,400
Senior Citizens Housing	18,304,900	18,304,900
Homes for Special Care	20,963,000	20,963,000
Social Housing	17,600	17,600
Capital renovations	440,500	-
Land	2,254,200	2,254,200
	52,566,600	52,126,100
Less: accumulated amortization	28,507,700	27,228,800
	$24,058,900	$24,897,300

8. Accounts payable and accruals consist of the following:

	2008	2007
Accrued interest	$413,100	$492,300
General	79,400	86,200
	$492,500	$578,500

9. Long-term liabilities payable to the Canada Mortgage and Housing Corporation consist of the following:

	2008	2007
Mortgages payable	$23,230,500	$24,382,700
Debentures payable	3,474,400	3,585,300
	26,704,900	27,968,000
Less: current portion	1,330,400	1,266,300
	$25,374,500	$26,701,700

The above amounts include 75 individual balances with interest rates from 3.88% to 11.00% and maturity dates ranging from 2009 to 2029.

10. Long-term liabilities payable to the Province of PEI consist of the following:

	2008	2007
Debentures payable	$2,997,200	$3,786,200
Less: current portion	791,900	787,900
	$2,205,300	$2,998,300

The above amounts include 18 individual balances with interest rates from 8.86% to 12.00% and maturity dates ranging from 2008 to 2024. Included in expenses is $680,500 (2007 - $845,365) in interest paid to the Province of PEI.

11. Principal portion of long-term debt repayments over the next five years are as follows:

2008/09	$2,122,300
2009/10	2,022,600
2010/11	1,945,400
2011/12	1,860,900
2012/13	1,410,400

12. Contributed surplus provided by the Province of PEI for the investment in properties consists of the following:

	2008	2007
Contributed surplus, beginning of year	$1,075,900	$1,203,400
Add: Capital renovations	652,200	-
	$1,728,100	$1,203,400
Deductions for amortization of deferred credits:		
Senior Citizens Housing	72,000	72,000
Family Housing	31,100	31,100
Manors	24,400	24,400
Capital renovations	65,200	-
	192,700	127,500
Contributed surplus, end of year	$1,535,400	$1,075,900

5. Investments in land for resale or development consist of the following:

	2008	2007
Hillsborough Development		
Developed - at cost	$ 27,000	$ 35,800
Undeveloped - at 1986 appraised values	110,500	110,500
Other undeveloped land	80,700	80,700
	$218,200	$227,000

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Rural and Native Housing	60,500	68,800
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Land	309,100	311,100
	6,612,200	6,423,800
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	$2,737,900	$2,709,900

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